

**CORNING COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2015**



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**Corning Community School District  
Board Of Education and School District Officials  
Year Ended June 30, 2015**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Scott Shuey	President	2017
Lori Harvey	Vice President	2015
Gwen Larsen	Board Member	2015
Howard Anderson	Board Member	2017
Wendi Boswell	Board Member	2017 - resigned 6.8.15
Scott Akin	Board Member	2015 - appointed 6.8.15
<b>School District Officials</b>		
William Stone	Superintendent	2015
Jodi Lyddon	District Secretary/Treasurer	2015
Rick Engel	Attorney	Indefinite
Ahlers & Cooney, PC	Attorney	Indefinite



705 Main Street  
Pella, IA 50219  
Ph.: 641-628-3737  
Fax: 641-628-3757

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

## **Independent Auditor's Report**

To the Board of Education  
Corning Community School District  
Corning, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District, Corning, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Corning Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### Emphasis of Matter

As discussed in Note 11 to the financial statements, Corning Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corning Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 9, 2015, on our consideration of the Corning Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corning Community School District's internal control over financial reporting and compliance.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

November 9, 2015

Corning Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **Financial Highlights**

- General Fund revenues increased from \$5,521,462 in fiscal 2014 to \$5,636,644 in fiscal 2015, while General Fund expenditures decreased from \$6,168,428 in fiscal 2014 to \$5,859,843 in fiscal 2015. This resulted in a decrease in the District's General Fund balance from \$427,383 in fiscal 2014 to \$230,206 in fiscal 2015, a 46.1 percent decrease from the prior year.
- The increase in General Fund revenues was mostly attributable to increase in property tax, increase in tuition, transportation sharing, curriculum sharing, and local grants. The decrease in expenditures was due to early retirements and reduction in staff.
- Overall, the District's net position in the governmental activities increased by \$106,000 and decreased by \$8,000 in the business-type activities.

### **Overview of the Financial Statements**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

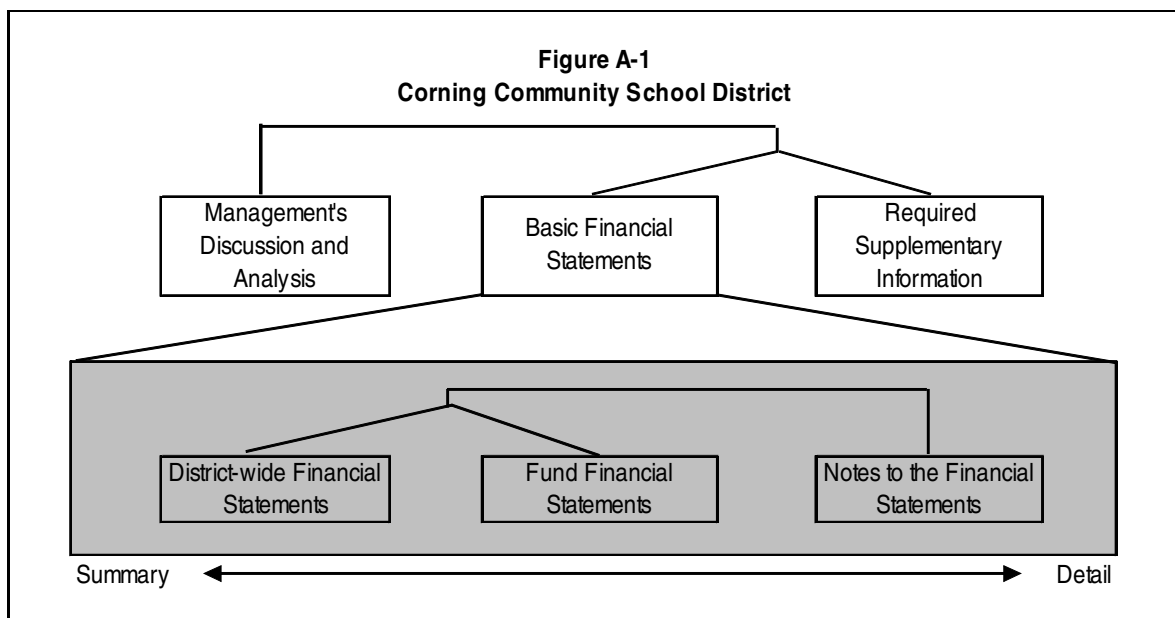




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b>				
<b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: · food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	· Statement of Net Position · Statement of activities	· Balance sheet · Statement of revenues, expenditures, and changes in fund balances	· Statement of Net Position · Statement of revenues, expenses and changes in Net Position · Statement of cash flows	· Statement of fiduciary Net Position · Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow / inflow information	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of fund balance that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period	Consumption / acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

#### **District-wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

**Corning Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2015**

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The two District-wide statements report the District's *net position* and how it has changed. Net Position is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements.
  - The District's governmental funds include the General Fund, Capital Projects Fund, Special Revenue Funds, and Debt Service Fund.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - The District's enterprise fund, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Agency funds.
  - Agency Fund – These are funds for which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employees' purchases for the Hearts and Flowers fund and for the CMEA (Education Association) fund.

**Corning Community School District**  
**Management's Discussion and Analysis**  
**Year ended June 30, 2015**

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**Financial Analysis of the District as a Whole**

**Net assets** - Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

**Figure A-3**  
**Condensed Statement of Net Position**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014 (Not restated)		2014 (Not restated)		2014 (Not restated)		2014-2015
	2015		2015		2015		
Current and other assets	\$ 5,214	5,583	12	15	5,226	5,598	-6.6%
Capital assets	9,952	9,769	38	44	9,990	9,813	1.8%
Total assets	15,166	15,352	50	59	15,216	15,411	-1.3%
Deferred outflows of resources	425		11		436	-	-
Long-term liabilities	9,079	7,375	80	28	9,159	7,403	23.7%
Other liabilities	967	1,027	2	-	969	1,027	-5.6%
Total liabilities	10,046	8,402	82	28	10,128	8,430	20.1%
Deferred inflows of resources	3,704	2,823	19	-	3,723	2,823	31.9%
Net Position:							
Invested in capital assets, net of related debt	3,751	3,254	38	44	3,789	3,298	14.9%
Restricted	1,282	1,563	-	-	1,282	1,563	-18.0%
Unrestricted	(3,192)	(690)	(78)	(13)	(3,270)	(703)	365.1%
Total Net Position	\$ 1,841	4,127	(40)	31	1,801	4,158	-56.7%

**Corning Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2015**

**Changes in net assets** – Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-4  
Changes in Net Position  
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	Year ended June 30, 2014 (Not restated)		Year ended June 30, 2014 (Not restated)		Year ended June 30, 2014 (Not restated)		June 30, 2014-2015
	2015	2014	2015	2014	2015	2014	
Revenues:							
Program revenues:							
Charges for service	\$ 1,270	1,407	78	68	1,348	1,475	-8.6%
Operating grants, contributions and restricted interest	799	796	152	148	951	944	0.7%
General revenues:							
Property tax	2,861	2,736	-	-	2,861	2,736	4.6%
Statewide sales, service and use tax	475	350	-	-	475	350	35.7%
Unrestricted state grants	1,632	1,609	-	-	1,632	1,609	1.4%
Unrestricted investment earnings	1	1	-	-	1	1	0.0%
Other	60	110	-	-	60	110	-45.5%
Total revenues	7,098	7,009	230	216	7,328	7,225	1.4%
Program expenses:							
Governmental activities:							
Instruction	4,294	4,802	-	-	4,294	4,802	-10.6%
Support services	2,173	2,119	-	-	2,173	2,119	2.5%
Non-instructional programs	-	-	238	244	238	244	-2.5%
Other expenses	525	454	-	-	525	454	15.6%
Total expenses	6,992	7,375	238	244	7,230	7,619	-5.1%
Change in net position	106	(366)	(8)	(28)	98	(394)	-124.9%
Net position beginning of year, as restated	1,735	4,493	(32)	59	1,703	4,552	-62.6%
Net position end of year	\$ 1,841	4,127	(40)	31	1,801	4,158	-56.7%

Property tax and unrestricted state grants account for 61.3 percent of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 89.5 percent of the total expenses.

**Governmental Activities**

Revenues for governmental activities were \$7,098,000 and expenses were \$6,992,000.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services		Change	Net Cost of Services		Change
	2014			2014		
	2015	(Not restated)	2014-2015	2015	(Not restated)	2014-2015
Instruction	\$ 4,294	4,802	-10.6%	2,552	2,909	-12.3%
Support services	2,173	2,119	2.5%	2,029	1,990	2.0%
Non-instructional programs	-	-	-	-	-	-
Other expenses	525	454	15.6%	342	273	25.3%
Totals	\$ 6,992	7,375	-5.2%	4,923	5,172	-4.8%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,270,007.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$799,175.
- The net cost of governmental activities was financed with \$2,860,990 in property tax, \$475,077 in local option sales and service tax, \$1,632,062 in state foundation aid, \$1,075 in interest income, and \$59,950 in other general revenues.

#### Business-Type Activities

Revenues of the District's business-type activities during the year ended June 30, 2015, were \$229,972 and expenses were \$237,553. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

#### Financial Analysis of the District's Funds

As previously noted, the Corning Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$1,320,328, below last year's ending fund balances of \$1,768,688. The primary reason for the decrease in combined fund balances in fiscal 2015 was due to expenditures for transportation repair and track project.

#### Governmental Fund Highlights

- The General Fund balance decreased from \$427,383 to \$230,206. The District's decreasing General Fund financial position is the product of many factors. The district increased in general fund expenditures due to increases in salaries and benefits and transportation repair.
- The Debt Service Fund balance increased from \$64,564 in fiscal year 2014 to \$170,980 in fiscal 2015.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$191,057 in fiscal 2014 to \$125,918 in fiscal 2015.
- The Statewide Sales, Services and Use Tax balance decreased from \$652,021 in fiscal 2014 to \$499,579 in fiscal 2015.
- The Management Fund balance increased from \$356,134 in fiscal year 2014 to \$211,146 in fiscal 2015.
- The Activity Fund balance increased from \$77,529 in fiscal year 2014 to \$82,499 in fiscal 2015.

**Corning Community School District  
Management's Discussion and Analysis  
Year ended June 30, 2015**

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**Proprietary Fund Highlights**

The School Nutrition Fund net position decreased from (\$32,363) in fiscal 2014 to (\$39,944) in fiscal 2015, representing a decrease of 23%.

**Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

**Legal Budgetary Highlights**

The District's total actual receipts were \$47,479 less than the total budgeted receipts, a variance of 6.5%.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2015, the District had invested \$9,990,604, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$402,166.

The original cost of the District's capital assets were \$14,232,272. Governmental funds account for \$14,068,641 with the remainder of \$163,631 in the Proprietary, School Nutrition Fund.

**Figure A-6  
Capital Assets, net of Depreciation  
(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 194	194	-	-	194	194	0.0%
Construction in progress	-	-	-	-	-	-	-
Buildings	8,061	8,074	-	-	8,061	8,074	-0.2%
Improvements other than buildings	834	618	-	-	834	618	35.0%
Furniture and equipment	863	883	38	44	901	927	-2.8%
Totals	\$ 9,952	9,769	38	44	9,990	9,813	1.8%

## Long-Term Debt

At June 30, 2015, the District had \$4,735,000 in general obligation bonds, \$1,485,000 in revenue bonds and \$172,000 for an early-retirement plan. This represents an increase of approximately 23.1% percent from last year, including the pension and OPEB liability. More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
General obligation bonds	\$ 4,735	4,950	-4.3%
Revenue bonds	1,485	1,585	-6.3%
Revenue bonds discount	(18)	(20)	-10.0%
Early retirement	172	194	-11.3%
Compensated absences	77	85	-9.4%
Net pension liability	1,950	-	-
Net OPEB liability	678	581	16.7%
Totals	\$ 9,079	7,375	23.1%

## Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Historically, the District has entered into annual contracts with its collective bargaining unit. Settlements in excess of new money or allowable growth in state funding will have an adverse effect on the District's General Fund budget and related fund balance. Corresponding cost reductions will be made to offset the cost of negotiated settlements and other cost increases.
- Increased health insurance cost, transportation costs, and decrease in state aid due to decrease in enrollment have and will continue to impact the District.

## Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jodi Lyddon, District Secretary/Treasurer and Business Manager, Corning Community School District, PO Box 229, Corning, Iowa, 50841.

## **Basic Financial Statements**



**Corning Community School District**  
**Statement of Net Position**  
**June 30, 2015**

	Governmental Activities	Business type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,608,699	7,601	1,616,300
Receivables:			
Property tax:			
Delinquent	38,060	-	38,060
Succeeding year	2,843,114	-	2,843,114
Income surtax	117,192	-	117,192
Accounts	32,869	230	33,099
Due from other governments	573,641	-	573,641
Inventories	-	4,156	4,156
Capital assets, net of accumulated depreciation	9,952,193	38,411	9,990,604
<b>Total assets</b>	<b>15,165,768</b>	<b>50,398</b>	<b>15,216,166</b>
<b>Deferred Outflow of Resources</b>			
Pension related deferred outflows	425,105	11,266	436,371
<b>Liabilities</b>			
Accounts payable	455,168	80	455,248
Salaries and benefits payable	454,994	1,923	456,917
Advances from grantors	22,779	-	22,779
Accrued interest payable	33,753	-	33,753
Long-term liabilities:			
Portion due within one year:			
Compensated absences	76,950	4,275	81,225
General obligation bonds	225,000	-	225,000
Revenue bonds	100,000	-	100,000
Early retirement	75,355	-	75,355
Portion due after one year:			
Net OPEB liability	678,638	23,952	702,590
Net pension liability	1,949,852	51,672	2,001,524
General obligation bonds	4,510,000	-	4,510,000
Revenue bonds	1,366,529	-	1,366,529
Early retirement	96,885	-	96,885
<b>Total liabilities</b>	<b>10,045,903</b>	<b>81,902</b>	<b>10,127,805</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,843,114	-	2,843,114
Unavailable income surtax revenue	117,192	-	117,192
Pension related deferred inflows	743,618	19,706	763,324
<b>Total deferred inflows of resources</b>	<b>3,703,924</b>	<b>19,706</b>	<b>3,723,630</b>
<b>Net Position</b>			
Net investment in capital assets	3,750,664	38,411	3,789,075
Restricted for:			
Categorical funding	226,179	-	226,179
Management levy purposes	211,146	-	211,146
Physical plant and equipment levy	125,918	-	125,918
Capital projects	349,135	-	349,135
Student activities	82,499	-	82,499
Debt service	287,671	-	287,671
Unrestricted	(3,192,166)	(78,355)	(3,270,521)
<b>Total net position</b>	<b>\$ 1,841,046</b>	<b>(39,944)</b>	<b>1,801,102</b>

See notes to financial statements.

**Corning Community School District**  
**Statement of Activities**  
**Year ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,951,089	818,001	452,009	(1,681,079)	-	(1,681,079)
Special	787,813	139,045	150,298	(498,470)	-	(498,470)
Other	554,569	170,731	11,715	(372,123)	-	(372,123)
	4,293,471	1,127,777	614,022	(2,551,672)	-	(2,551,672)
Support Service:						
Student	82,770	-	-	(82,770)	-	(82,770)
Instructional staff	314,000	-	-	(314,000)	-	(314,000)
Administration	691,018	-	-	(691,018)	-	(691,018)
Operating and maintenance of plant	602,002	-	-	(602,002)	-	(602,002)
Transportation	483,586	142,230	1,816	(339,540)	-	(339,540)
	2,173,376	142,230	1,816	(2,029,330)	-	(2,029,330)
Other expenditures:						
Facilities acquisition	77,998	-	-	(77,998)	-	(77,998)
Long-term debt interest	263,988	-	-	(263,988)	-	(263,988)
AEA flowthrough	183,337	-	183,337	-	-	-
	525,323	-	183,337	(341,986)	-	(341,986)
Total governmental activities	6,992,170	1,270,007	799,175	(4,922,988)	-	(4,922,988)
Business type activities:						
Non-instructional programs:						
Food service operations	237,553	78,406	151,556	-	(7,591)	(7,591)
	237,553	78,406	151,556	-	(7,591)	(7,591)
Total primary government	\$ 7,229,723	1,348,413	950,731	(4,922,988)	(7,591)	(4,930,579)

**Corning Community School District**  
**Statement of Activities**  
**Year ended June 30, 2015**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Operating Grants, Contributions and			Governmental Activities	Business type Activities	Total
	Expenses	Charges for Service	Restricted Interest			
Totals continued from previous pages	\$ 7,229,723	1,348,413	950,731	(4,922,988)	(7,591)	(4,930,579)
General Revenues:						
Property tax levied for:						
General purposes				2,127,568	-	2,127,568
Debt service				534,290	-	534,290
Capital outlay				199,132	-	199,132
Statewide sales, services and use tax				475,077	-	475,077
Unrestricted state grants				1,632,062	-	1,632,062
Unrestricted investment earnings				1,075	10	1,085
Other				31,671	-	31,671
Gain (loss) on disposal of assets				19,878	-	19,878
Contributions not restricted to specific programs				8,401	-	8,401
Total general revenues				5,029,154	10	5,029,164
Change in net position				106,166	(7,581)	98,585
Net position beginning of year, as restated				1,734,880	(32,363)	1,702,517
Net position end of year				\$ 1,841,046	(39,944)	1,801,102

See notes to financial statements.

## Exhibit C

**Corning Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Debt Service	Capital Projects	Non-major	Total
<b>Assets</b>					
Cash and pooled investments	\$ 563,536	164,076	592,189	288,898	1,608,699
Receivables:					
Property tax:					
Delinquent	27,723	6,904	2,573	860	38,060
Succeeding year	2,163,253	428,019	201,842	50,000	2,843,114
Income surtax	117,192	-	-	-	117,192
Accounts	28,082	-	-	4,787	32,869
Due from other governments	542,906	-	30,735	-	573,641
<b>Total assets</b>	<b>\$ 3,442,692</b>	<b>598,999</b>	<b>827,339</b>	<b>344,545</b>	<b>5,213,575</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 454,268	-	-	900	455,168
Salaries and benefits payable	454,994	-	-	-	454,994
Advances from grantors	22,779	-	-	-	22,779
Total liabilities	932,041	-	-	900	932,941
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	2,163,253	428,019	201,842	50,000	2,843,114
Income surtax	117,192	-	-	-	117,192
Other	-	-	-	-	-
Total deferred inflows of resources	2,280,445	428,019	201,842	50,000	2,960,306
Fund balances:					
Restricted for:					
Categorical funding	226,179	-	-	-	226,179
Debt service	-	170,980	150,444	-	321,424
Management levy purposes	-	-	-	211,146	211,146
Student activities	-	-	-	82,499	82,499
School infrastructure	-	-	349,135	-	349,135
Physical plant and equipment	-	-	125,918	-	125,918
Unassigned	4,027	-	-	-	4,027
Total fund balances	230,206	170,980	625,497	293,645	1,320,328
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,442,692</b>	<b>598,999</b>	<b>827,339</b>	<b>344,545</b>	<b>5,213,575</b>

See notes to financial statements.

Exhibit D

**Corning Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
June 30, 2015**

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**Total fund balances of governmental funds (Exhibit C)** \$ 1,320,328

***Amounts reported for governmental activities in the  
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 9,952,193

Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds. (33,753)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$	425,105	
Deferred inflows of resources		(743,618)	(318,513)

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Long-term liabilities, including bonds payable, bond discounts, early retirement, compensated absences, other postemployment benefits and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

General obligations bonds payable	\$	(4,735,000)	
Revenue bonds payable		(1,485,000)	
Bond discount, net		18,471	
Early retirement		(172,240)	
Compensated absences		(76,950)	
Other postemployment benefits		(678,638)	
Net pension liability		(1,949,852)	(9,079,209)

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**Net position of governmental activities (Exhibit A)** \$ 1,841,046

See notes to financial statements.

**Corning Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2015**

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 2,066,914	534,290	199,132	60,654	2,860,990
Tuition	815,640	-	-	-	815,640
Other	322,802	-	417	172,224	495,443
State sources	2,261,121	13	475,082	2	2,736,218
Federal sources	170,167	-	-	-	170,167
Total revenues	5,636,644	534,303	674,631	232,880	7,078,458
Expenditures:					
Current:					
Instruction:					
Regular	2,664,178	-	-	126,103	2,790,281
Special	775,958	-	-	-	775,958
Other	372,247	-	-	160,724	532,971
	3,812,383	-	-	286,827	4,099,210
Support services:					
Student	81,936	-	-	-	81,936
Instructional staff	185,827	-	108,054	-	293,881
Administration	656,331	-	-	14,792	671,123
Operation and maintenance of plant	533,959	-	-	37,378	571,337
Transportation	406,070	-	80,607	33,901	520,578
	1,864,123	-	188,661	86,071	2,138,855
Other expenditures:					
Facilities acquisition	-	-	552,357	-	552,357
Long-term debt:					
Principal	-	315,000	-	-	315,000
Interest and fiscal charges	-	263,331	750	-	264,081
AEA flowthrough	183,337	-	-	-	183,337
	183,337	578,331	553,107	-	1,314,775
Total expenditures	5,859,843	578,331	741,768	372,898	7,552,840
Excess (deficiency) of revenues over (under) expenditures	(223,199)	(44,028)	(67,137)	(140,018)	(474,382)
Other financing sources (uses):					
Proceeds from sale of assets	26,022	-	-	-	26,022
Operating transfers in	-	150,444	-	-	150,444
Operating transfers out	-	-	(150,444)	-	(150,444)
Total other financing sources (uses)	26,022	150,444	(150,444)	-	26,022
Change in fund balances	(197,177)	106,416	(217,581)	(140,018)	(448,360)
Fund balances beginning of year	427,383	64,564	843,078	433,663	1,768,688
Fund balances end of year	\$ 230,206	170,980	625,497	293,645	1,320,328

See notes to financial statements.

**Corning Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statements of Activities**  
**Year ended June 30, 2015**

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**Net change in fund balances - total governmental funds (Exhibit E)** **\$ (448,360)**

***Amounts reported for governmental activities in the  
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 586,056	
Depreciation expense	(396,867)	
Loss on disposal of capital assets	<u>(6,144)</u>	183,045

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:

Bond principal repaid	315,000	
Amortization of bond discount	<u>(1,385)</u>	313,615

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,478

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

279,160

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	8,550	
Early retirement	21,555	
Pension expense	(154,982)	
Other postemployment benefits	<u>(97,895)</u>	(222,772)

**Change in net position of governmental activities (Exhibit B)** **\$ 106,166**

See notes to financial statements.

Exhibit G

**Corning Community School District  
Statement of Net Position  
Proprietary Fund  
June 30, 2015**

	School Nutrition
<b>Assets</b>	
Cash and cash equivalents	\$ 7,601
Accounts receivable	230
Inventories	4,156
Capital assets, net of accumulated depreciation	38,411
<b>Total assets</b>	<b>50,398</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	11,266
<b>Liabilities</b>	
Accounts Payable	80
Salaries and benefits payable	1,923
Compensated absences	4,275
Net pension liability	51,672
Net OPEB liability	23,952
<b>Total liabilities</b>	<b>81,902</b>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	19,706
<b>Net Position</b>	
Net investment in capital assets	38,411
Unrestricted	(78,355)
<b>Total net position</b>	<b>\$ (39,944)</b>

See notes to financial statements.



Exhibit H

**Corning Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year ended June 30, 2015**

	School Nutrition
Operating revenues:	
Local sources	
Charges for service	\$ 78,406
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	87,118
Benefits	37,873
Purchased services	114
Supplies	107,149
Depreciation	5,299
Total operating expenses	237,553
Operating loss	(159,147)
Non-operating revenues:	
State sources	2,166
Federal sources	149,390
Interest income	10
Total non-operating revenues	151,566
Change in net position	(7,581)
Net position beginning of year, as restated	(32,363)
Net position end of year	\$ (39,944)

See notes to financial statements.

## Exhibit I

**Corning Community School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year ended June 30, 2015**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 78,601
Cash payments to employees for services	(124,771)
Cash payments to suppliers for goods or services	(86,386)
Net cash used by operating activities	<u>(132,556)</u>
Cash flows from non-capital financing activities:	
State grants received	2,166
Federal grants received	124,579
Net cash provided by non-capital financing activities	<u>126,745</u>
Cash flows from investing activities:	
Interest on investments	<u>10</u>
Net decrease in cash and cash equivalents	(5,801)
Cash and cash equivalents at beginning of year	<u>13,402</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,601</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (159,147)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	23,277
Depreciation	5,299
Decrease in accounts receivable	195
(Increase) in inventories	(2,231)
(Decrease) in accounts payable	(169)
Increase in salaries and benefits payable	57
(Decrease) in net pension liability	(19,345)
(Increase) in deferred outflows of resources	(3,653)
Increase in deferred inflows of resources	19,706
Increase in net OPEB liability	3,455
Net cash used by operating activities	<u><u>\$ (132,556)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Statement of Net Position:</b>	
Current assets:	
Cash and investments	\$ 7,601
Cash and cash equivalents at year end	<u><u>\$ 7,601</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2015, the District received \$23,277 of federal commodities.

See notes to financial statements.

Exhibit J

**Corning Community School District  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2015**

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	<u>Agency</u>
<b>Assets</b>	
Cash and pooled investments	\$ 11,759
<b>Total assets</b>	<u>11,759</u>
<b>Liabilities</b>	
Accounts payable	11,759
<b>Total liabilities</b>	<u>11,759</u>
<b>Net position</b>	
Unassigned	<u><u>\$ -</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Corning Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corning, Iowa, and the predominate agricultural territory in Adams and Taylor counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Corning Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Corning Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adams County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following is the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: The Management Fund is used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in a separate fund.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability

The District reports the following proprietary non-major fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

**Fiduciary Funds:** Fiduciary fund types are used to account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The following are the District's fiduciary fund types:

Agency Fund: This fund accounts for assets held in a custodial capacity by the District for individuals, private organizations or other governments. The District only reports assets and liabilities for this fund.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Advances from Grantors - Grant proceeds which have been received by the District will be spent in a succeeding fiscal year.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable and income surtax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.



*Unassigned* – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments as follows:

Okey Vernon National Bank Certificate of Deposit	\$	10,000
State Bank of Brooks Certificate of Deposit		10,000
Bankers Trust		
ISJIT Diversified Fund		250,484
Iowa Schools Joint Investment Trust:		
Diversified portfolio (amortized cost)		521,374
		<u>\$ 791,858</u>

The ISJIT investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The negotiable certificates of deposit are stated at fair value.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 150,444</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance beginning of year, as restated	Increases	Decreases	Balance end of year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 193,489	-	-	193,489
Total capital assets not being depreciated	193,489	-	-	193,489
Capital assets being depreciated:				
Buildings	10,625,108	196,629	-	10,821,737
Improvements other than buildings	1,046,345	264,805	-	1,311,150
Furniture and equipment	1,667,672	124,622	(50,029)	1,742,265
Total capital assets being depreciated	13,339,125	586,056	(50,029)	13,875,152
Less accumulated depreciation for:				
Buildings	2,550,699	209,361	-	2,760,060
Improvements other than buildings	428,123	49,255	-	477,378
Furniture and equipment	784,644	138,251	(43,885)	879,010
Total accumulated depreciation	3,763,466	396,867	(43,885)	4,116,448
Total capital assets being depreciated, net	9,575,659	189,189	(6,144)	9,758,704
Governmental activities capital assets, net	\$ 9,769,148	189,189	(6,144)	9,952,193
<b>Business type activities:</b>				
Furniture and equipment	\$ 163,631	-	-	163,631
Less accumulated depreciation	119,921	5,299	-	125,220
Business type activities capital assets, net	\$ 43,710	(5,299)	-	38,411

Depreciation expense was charged to the following functions:

<b>Governmental activities:</b>	
Instruction:	
Regular	\$ 205,377
Special	18,657
Other	25,154
Support services:	
Student	834
Instructional staff	28,939
Administration	31,287
Operation and maintenance	42,695
Transportation	43,924
Total depreciation expense - governmental activities	\$ 396,867
<b>Business type activities:</b>	
Food service operations	\$ 5,299

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 4,950,000	-	215,000	4,735,000	225,000
Revenue bonds	1,585,000	-	100,000	1,485,000	100,000
Revenue bonds discount	(19,856)	-	(1,385)	(18,471)	-
Early retirement	193,795	72,240	93,795	172,240	75,355
Compensated absences	85,500	76,950	85,500	76,950	76,950
Net pension liability	2,679,837	-	729,985	1,949,852	-
Net OPEB liability	580,743	97,895	-	678,638	-
Total	\$ 10,055,019	247,085	1,222,895	9,079,209	477,305
Business type activities:					
Compensated absences	\$ 4,275	4,275	4,275	4,275	4,275
Net pension liability	71,017	-	19,345	51,672	-
Net OPEB liability	20,497	3,455	-	23,952	-
	\$ 95,789	7,730	23,620	79,899	4,275

General Obligation Bonds Payable

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	4.125%	225,000	202,519	427,519
2017	4.125%	240,000	193,237	433,237
2018	4.125%	250,000	183,338	433,338
2019	4.125%	260,000	173,025	433,025
2020	4.125%	270,000	162,300	432,300
2021	4.125%	285,000	151,162	436,162
2022	4.125%	295,000	139,406	434,406
2023	4.125%	310,000	127,238	437,238
2024	4.250%	325,000	114,450	439,450
2025	4.250%	340,000	100,637	440,637
2026	4.250%	355,000	86,188	441,188
2027	4.500%	370,000	71,100	441,100
2028	4.500%	385,000	54,450	439,450
2029	4.500%	405,000	37,125	442,125
2030	4.500%	420,000	18,900	438,900
Total		\$ 4,735,000	1,815,075	6,550,075

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of November 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2016	1.750%	100,000	48,694	148,694
2017	2.000%	100,000	46,694	146,694
2018	2.200%	100,000	44,494	144,494
2019	2.400%	100,000	42,094	142,094
2020	2.600%	100,000	39,494	139,494
2021	2.800%	100,000	36,694	136,694
2022	3.000%	100,000	33,694	133,694
2023	3.200%	100,000	30,494	130,494
2024	3.400%	105,000	27,094	132,094
2025	3.600%	110,000	23,314	133,314
2026	3.800%	110,000	19,133	129,133
2027	4.000%	115,000	14,733	129,733
2028	4.050%	120,000	10,075	130,075
2029	4.100%	125,000	5,156	130,156
Total		\$ 1,485,000	421,857	1,906,857

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,710,000 of bonds issued in November 2011. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,906,857. For the current year, \$150,444 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$475,077.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$150,444 of the proceeds from the issuance of the revenue bonds shall be deposited to a revenue account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be distributed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking accounts may be transferred to the project account to be used for any lawful purpose.

The District did comply with all revenue bond provisions during the year ended June 30, 2015. The required reserve account was established by the District.

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 25% of the District's base salary calculated by using the current year regular salary schedule. Early retirement benefits paid during the year ended June 30, 2015, totaled \$93,795.

#### **(6) Pension Plan**

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial

liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$286,558.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,001,524 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.049456 percent, which was an increase of 0.000872, from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$150,954. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,753	-
Changes of assumptions	88,332	-
Net difference between projected and actual earnings on pension plan investments	-	763,324
Changes in proportion and differences between District contributions and proportionate share of contributions	39,728	-
District contributions subsequent to the measurement date	286,558	-
Total	<u>\$ 436,371</u>	<u>763,324</u>

\$286,558 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2016	\$ (155,828)
2017	(155,828)
2018	(155,828)
2019	(155,828)
2020	9,801
	<u>\$ (613,511)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 3,781,823	\$ 2,001,524	\$ 498,767

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$1,058 for legally required employer contributions and \$705 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**(7) Other Post-Employment Benefits (OPEB)**

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 93 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 207,336
Interest on net OPEB obligation	15,031
Adjustment to annual required contribution	(52,614)
Annual OPEB cost	169,753
Contributions made	(68,403)
Increase in net OPEB obligation	101,350
Net OPEB obligation beginning of year	601,240
Net OPEB obligation end of year	<u>\$ 702,590</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$68,403 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 167,860	22.00%	\$ 131,006
June 30, 2011	175,377	22.69%	266,592
June 30, 2012	187,593	20.09%	416,494
June 30, 2013	154,815	40.73%	508,257
June 30, 2014	155,698	40.23%	601,240
June 30, 2015	169,753	40.30%	702,590



Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2015, the actuarial accrued liability was \$1,031,706, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,031,706. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,200,000, and the ratio of the UAAL to covered payroll was 32.2%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

Corning Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$183,337 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Whole Grade Sharing Agreement**

Effective July 1, 2013, the District entered into a whole grade sharing agreement with Villisca Community School district. The agreement allows for both Districts to maintain separate Pre-K through 5<sup>th</sup> grade programs. Villisca Community School District will serve students of both Districts in grades 6-8. Corning Community School District will serve students of both Districts in grades 9-12. This agreement shall continue for five years unless earlier terminated by mutual agreement of both Districts. It will continue thereafter for additional one year terms unless either District delivers written notice to terminate eighteen months in advance.

(11) Accounting Change/Restatement

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 4,127,423	31,041
Net pension liability at June 30, 2014	(2,679,837)	(71,017)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	287,294	7,613
Net position July 1, 2014, as restated	<u>\$ 1,734,880</u>	<u>(32,363)</u>

### **Required Supplementary Information**

**Corning Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2015**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 4,172,073	78,416	4,250,489	4,660,806	4,660,806	(410,317)
State sources	2,736,218	2,166	2,738,384	2,361,603	2,361,603	376,781
Federal sources	170,167	149,390	319,557	333,500	333,500	(13,943)
Total revenues	7,078,458	229,972	7,308,430	7,355,909	7,355,909	(47,479)
Expenditures:						
Instruction	4,099,210	-	4,099,210	4,800,403	4,800,403	701,193
Support services	2,138,855	-	2,138,855	2,032,000	2,500,000	361,145
Non-instructional programs	-	237,553	237,553	273,666	273,666	36,113
Other expenditures	1,314,775	-	1,314,775	1,904,562	1,904,562	589,787
Total expenditures	7,552,840	237,553	7,790,393	9,010,631	9,478,631	1,688,238
Excess (deficiency) of revenues over (under) expenditures	(474,382)	(7,581)	(481,963)	(1,654,722)	(2,122,722)	1,640,759
Other financing sources, net	26,022	-	26,022	-	-	26,022
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(448,360)	(7,581)	(455,941)	(1,654,722)	(2,122,722)	1,666,781
Balances beginning of year, as restated	1,768,688	(32,363)	1,736,325	1,654,722	1,654,722	81,603
Balances end of year	\$ 1,320,328	(39,944)	1,280,384	-	(468,000)	1,748,384

See accompanying independent auditor's report.

**Corning Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year Ended June 30, 2015**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$468,000.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

**Corning Community School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Iowa Public Employee's Retirement System**  
**Last Fiscal Year\* (In Thousands)**  
**Required Supplementary Information**

	2015
District's proportion of the net pension liability	0.049456%
District's proportion of the net pension pension liability	\$ 2,002
District's covered-employee payroll	\$ 3,277
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	61.09%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Corning Community School District**  
**Schedule of District Contributions**  
**Iowa Public Employees' Retirement System**  
**Last 10 Fiscal Years (In Thousands)**  
**Required Supplementary Information**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 287	295	272	257	214	208	199	182	168	158
Contributions in relation to the statutorily required contribution	(287)	(295)	(272)	(257)	(214)	(208)	(199)	(182)	(168)	(158)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 3,235	3,277	3,133	3,197	3,092	3,141	3,152	3,067	2,923	2,758
Contributions as a percentage of covered-employee payroll	8.87%	9.00%	8.68%	8.04%	6.92%	6.62%	6.31%	5.93%	5.75%	5.73%

See accompanying independent auditor's report.

**Corning Community School District**  
**Notes to Required Supplementary Information – Pension Liability**  
**Year ended June 30, 2015**

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Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



**Corning Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**  
**Year ended June 30, 2015**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	1,893,146	1,893,146	0.0%	\$ 3,100,000	61.1%
2011	July 1, 2009	-	1,984,148	1,984,148	0.0%	3,100,000	64.0%
2012	July 1, 2009	-	1,952,466	1,952,466	0.0%	3,100,000	63.0%
2013	July 1, 2012	-	1,125,011	1,125,011	0.0%	3,200,000	35.2%
2014	July 1, 2012	-	1,102,697	1,102,697	0.0%	3,300,000	33.4%
2015	July 1, 2012	-	1,031,706	1,031,706	0.0%	3,200,000	32.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

**Corning Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 211,091	77,807	288,898
Receivables:			
Property tax:			
Delinquent	860	-	860
Succeeding year	50,000	-	50,000
Accounts	-	4,787	4,787
<b>Total assets</b>	<b>\$ 261,951</b>	<b>82,594</b>	<b>344,545</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 805	95	900
Total liabilities	805	95	900
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	50,000	-	50,000
Total deferred inflows of resources	50,000	-	50,000
Fund balances:			
Restricted for:			
Management levy purposes	211,146	-	211,146
Student activities	-	82,499	82,499
Total fund balances	211,146	82,499	293,645
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 261,951</b>	<b>82,594</b>	<b>344,545</b>

See accompanying independent auditor's report.

**Corning Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2015**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 60,654	-	60,654
Other	6,530	165,694	172,224
State sources	2	-	2
Total revenues	67,186	165,694	232,880
Expenditures:			
Current:			
Instruction:			
Regular	126,103	-	126,103
Other	-	160,724	160,724
Support Services:			
Administration	14,792	-	14,792
Operation and maintenance of plant	37,378	-	37,378
Transportation	33,901	-	33,901
Total expenditures	212,174	160,724	372,898
Excess (deficiency) of revenues over (under) expenditures	(144,988)	4,970	(140,018)
Fund balances beginning of year	356,134	77,529	433,663
Fund balances end of year	\$ 211,146	82,499	293,645

See accompanying independent auditor's report.

## Schedule 3

**Corning Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Other Unreserved Fund Balance	\$ 1,013	188	-	1,957	3,158
High School Drama	6,311	504	1,096	-	5,719
Musical/Madrigal	59	2,360	1,478	-	941
Cross Country	441	836	937	211	551
Tennis	1,295	-	287	211	1,219
Golf	453	-	877	877	453
Dance Team	1,065	1,387	2,485	33	-
Boys Basketball	422	1,284	1,180	197	723
Football	1,521	5,924	8,648	1,593	390
Baseball	703	-	-	-	703
Boys Track	1,455	-	435	-	1,020
Wrestling	665	3,007	2,829	-	843
Girls Basketball	3,401	1,252	2,423	99	2,329
Volleyball	907	2,230	2,128	-	1,009
Cheerleaders	1,673	719	290	-	2,102
Softball	537	-	178	310	669
Girls Track	918	168	639	732	1,179
Athletics-General	1	41,270	35,173	(2,293)	3,805
FBLA	767	8,141	9,075	1,207	1,040
K-6 Book Fair	1,758	3,180	4,984	500	454
FFA	9,295	18,078	16,132	(6)	11,235
FCCLA	699	10,471	7,712	374	3,832
K-12 Special Needs	38	-	-	-	38
Foreign Language Club	373	2,339	2,571	211	352
Concessions	242	18,609	9,723	(8,556)	572
Senior Class	2,646	2,000	1,689	(1,957)	1,000
Junior Class	399	2,471	5,870	3,000	-
Sophomore Class	-	-	29	29	-
JH Student Council	-	-	25	25	-
Student Council	694	1,172	1,071	(25)	770
Touch	379	-	-	-	379
Y-Teens	3,032	2,803	2,298	-	3,537
Yearbook	5,410	8,427	8,453	1,050	6,434
Elementary Yearbook	172	916	807	-	281
Preschool Fundraiser	3,095	-	-	-	3,095
School Pictures	1,989	288	-	-	2,277
High School Pop Fund	1,414	3,038	3,204	(78)	1,170
K-6 Special Projects	5,469	7,060	10,154	(500)	1,875
PLTW - Robotics	298	2,422	2,988	834	566
K-6 Student Council	412	-	298	-	114

## Schedule 3

**Corning Community School District**  
**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year ended June 30, 2015**

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Friends Club	4	-	-	-	4
Red Raider Jean Days	95	1,070	978	-	187
FCA	808	-	-	-	808
K-6 Pop	46	331	161	-	216
High School Horticulture	5,952	-	-	-	5,952
K-6 Box Top	2,827	1,178	3,063	(35)	907
3rd Grade Landscape	1,796	-	142	-	1,654
John Harris Tourney	4,580	10,571	8,214	-	6,937
Total	\$ 77,529	165,694	160,724	-	82,499

See accompanying independent auditor's report.

**Corning Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2015**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 468,844	123,345	592,189
Receivables:			
Property tax:			
Delinquent	-	2,573	2,573
Succeeding year	-	201,842	201,842
Intergovernmental	30,735	-	30,735
<b>Total assets</b>	<b>\$ 499,579</b>	<b>327,760</b>	<b>827,339</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	201,842	201,842
Total deferred inflows of resources	-	201,842	201,842
Fund balances:			
Restricted for:			
Debt service	150,444	-	150,444
School infrastructure	349,135	-	349,135
Physical plant and equipment	-	125,918	125,918
Total fund balances	499,579	125,918	625,497
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 499,579</b>	<b>327,760</b>	<b>827,339</b>

See accompanying independent auditor's report.

**Corning Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2015**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	199,132	199,132
Other	366	51	417
State sources	475,077	5	475,082
Total revenues	475,443	199,188	674,631
Expenditures:			
Support Services:			
Instructional staff	52,125	55,929	108,054
Transportation	80,607	-	80,607
Other expenditures			
Facilities acquisition	343,959	208,398	552,357
Debt service	750	-	750
Total expenditures	477,441	264,327	741,768
Excess (deficiency) of revenues over (under) expenditures	(1,998)	(65,139)	(67,137)
Other financing sources (uses):			
Operating transfers in (out)	(150,444)	-	(150,444)
Total other financing sources (uses)	(150,444)	-	(150,444)
Change in fund balances	(152,442)	(65,139)	(217,581)
Fund balances beginning of year	652,021	191,057	843,078
Fund balances end of year	\$ 499,579	125,918	625,497

See accompanying independent auditor's report.



## Schedule 6

**Corning Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund**  
**Year ended June 30, 2015**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 14,526	25,093	27,860	11,759
<b>Total assets</b>	<b>\$ 14,526</b>	<b>25,093</b>	<b>27,860</b>	<b>11,759</b>
<b>Liabilities</b>				
Accounts payable	\$ 14,526	25,093	27,860	11,759
<b>Total liabilities</b>	<b>\$ 14,526</b>	<b>25,093</b>	<b>27,860</b>	<b>11,759</b>

See accompanying independent auditor's report.

**Corning Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Ten Years**

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 2,860,990	2,735,879	2,936,479	2,835,435	2,654,525	2,415,233	2,622,502	2,406,437	2,402,720	2,438,779
Tuition	815,640	910,222	296,395	264,176	275,993	240,356	256,371	285,683	296,029	253,543
Other	495,443	582,434	321,588	355,929	336,638	392,044	256,827	733,069	459,644	419,668
State sources	2,736,218	2,577,323	2,318,502	2,550,060	2,528,419	2,303,647	2,739,632	2,582,283	2,440,835	2,429,982
Federal sources	170,167	178,370	208,821	182,624	346,438	551,941	256,732	215,652	253,374	327,928
Total	\$ 7,078,458	6,984,228	6,081,785	6,188,224	6,142,013	5,903,221	6,132,064	6,223,124	5,852,602	5,869,900
Expenditures:										
Instruction:										
Regular instruction	\$ 2,790,281	2,929,478	2,385,365	2,424,219	2,293,410	2,500,548	2,371,763	2,237,426	2,173,171	2,070,237
Special instruction	775,958	985,407	765,166	787,879	739,414	694,027	837,286	780,247	726,264	814,089
Other instruction	532,971	618,255	576,420	515,502	509,642	556,040	525,077	558,745	558,792	360,117
Support services:										
Student services	81,936	20,633	5,780	7,158	6,649	12,425	30,383	31,373	35,368	69,169
Instructional staff services	293,881	288,868	278,570	282,785	248,886	249,730	236,686	255,243	224,743	178,175
Administration services	671,123	678,748	649,796	631,218	636,018	580,258	564,829	621,934	613,744	541,244
Operation and maintenance of plant services	571,337	550,954	545,411	525,136	487,586	501,729	514,143	451,615	379,297	434,030
Transportation services	520,578	446,204	399,571	328,564	320,957	232,787	805,986	500,054	274,681	327,577
Non-instructional programs	-	-	-	233	3,283	3,400	5,042	6,567	8,121	267
Other expenditures:										
Facilities acquisition	552,357	220,554	309,437	1,815,463	5,126,947	879,483	75,599	167,595	212,590	263,452
Long-term debt:										
Principal	315,000	285,000	250,000	190,000	180,000	215,000	205,000	195,000	185,000	175,000
Interest and other charges	264,081	272,869	280,494	283,981	283,708	11,813	21,948	31,990	41,701	50,890
AEA flowthrough	183,337	181,682	175,744	177,596	205,554	204,436	190,542	181,827	178,772	173,627
Total	\$ 7,552,840	7,478,652	6,621,754	7,969,734	11,042,054	6,641,676	6,384,284	6,019,616	5,612,244	5,457,874

See notes to financial statements.



705 Main Street  
Pella, IA 50219  
Ph.: 641-628-3737  
Fax: 641-628-3757

[www.vanmaanencpa.com](http://www.vanmaanencpa.com)

**Van Maanen, Sietstra, Meyer & Nikkel, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Education of Corning Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Corning Community School District, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Corning Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Corning Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Corning Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Corning Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Corning Community School District's Responses to Findings

Corning Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Corning Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Corning Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra, Meyer & Nikkel PC*

Van Maanen, Sietstra, Meyer & Nikkel, PC  
Certified Public Accountants

November 9, 2015

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

- A      Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters noted.

**Part II: Other Findings Related to Required Statutory Reporting**

1.      Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed the amounts budgeted.
2.      Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3.      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4.      Business Transactions - No business transactions between the District and District officials or employees were noted.
5.      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6.      Board Minutes - No transactions were noted requiring Board approval which had not been approved by the Board.
7.      Certified Enrollment – Variances in the basic enrollment data certified to the Department of Education were noted.  
  
         Recommendation: The certified enrollment data should be corrected.  
  
         Response: The Iowa Department of Education and the Iowa Department of Management will be notified of the error.  
  
         Conclusion: Response accepted.
8.      Supplementary Weighting – Variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.  
  
         Recommendation: The supplemental weighting data should be corrected.  
  
         Response: The Iowa Department of Education and the Iowa Department of Management will be notified of the error.

**Corning Community School District**  
**Schedule of Findings**  
**Year ended June 30, 2015**

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Conclusion: Response accepted.

9. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	652,021
Revenues/transfers in:			
Sales tax revenues	\$	475,077	
Other local revenues		366	475,443
			<hr/> 1,127,464
Expenditures/transfers out:			
School infrastructure construction		343,959	
Equipment		132,732	
Other		750	
Transfers to other funds:			
Debt service funds		150,444	627,885
			<hr/>
Ending balance		\$	<u><u>499,579</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.